

Message from Julie Berry CFP[®], FPA Chair and Matthew Rowe CFP[®], FPA Chair Elect

The FPA's vision is that members of the Financial Planning Association adhere to the highest standards of professionalism, inspiring trust and confidence in the community. Our challenge is to focus on the future and to do what is required to elevate our industry to a universally respected profession.

Following extensive consultation and research, the Board has determined to make some fundamental changes that have the capacity to transform the FPA and its value to members as a professional association.

We are determined to speed up the transformation of the FPA into a **true professional association** in which **only individual financial planning professionals have the right to vote**.

You have an opportunity now to influence the development of our profession and build consumer confidence in the value of professional advice. You can do this by helping the FPA change.

By voting in favour you will strengthen the FPA's endeavours to work more effectively on your behalf as professional financial planners.

We urge you to read this consultation paper. Let us know what you think and if you have any concerns or questions. If you support the changes, please advocate them to others. Above all, we urge you to exercise your vote at the Extraordinary General Meeting in April 2011

Sincerely



See Appendix 1 for the FPA purpose, vision, mission, values and value proposition.

1. Your opportunity to comment and vote

This consultation paper explains the proposed structural changes to membership and some changes in the way we will promote our members.

Members are invited to vote on the structural changes either electronically or by attending an Extraordinary General Meeting on 7 April 2011. In the interim, you may send comments and any questions to:

Rebecca Murray, General Manager Membership & Marketing, FPA

- By email: newfpa@fpa.asn.au
- By mail: GPO Box 4285, Sydney NSW 2001
- Via the quick survey [here](#)

Please specify your current membership category in your reply, so we can ensure we have received representative feedback from across the membership base.

- CERTIFIED FINANCIAL PLANNER® professional
- Associate Financial Planner (AFP)
- Principal Member nominated representative
- Future Planner
- General
- Student
- Retired

2. Summary of the proposed changes

The following structural changes to FPA membership are proposed to allow the FPA to more effectively represent financial planning professionals and their interests:

- Change 1:** To restrict the voting membership of the FPA to two categories of practitioner member, i.e.:
- CERTIFIED FINANCIAL PLANNER® professionals
 - Associate Financial Planners (AFPs)
- Change 2:** To discontinue the Principal member category of membership.
- Change 3:** To enable local financial planning practices to licence the use of the FPA brand based on minimum membership criteria. FPA Professional Practices would have no voting rights.
- Change 4:** To offer Principal members/AFSLs who have achieved certain levels of FPA membership the opportunity to be “FPA Professional Partners”, recognising the important role that they play in the promotion of professional financial advice. FPA Professional Partners would be Affiliates and they would have no right to vote, no representation on the Board and will not be able

to use the FPA brand in their communications.

Change 5: To replace the current General member category with an Affiliate category to include the following sub-categories:

- Paraprofessional – including paraplanners, compliance managers, technical managers, practice managers and others who support the profession
- Student
- Future Planner
- Retired
- Subscriber – including management, BDMs, academics, lawyers, suppliers, advertisers, regulators, media and others with an interest in financial planning
- Professional Partner
- Professional Practice (brand licensee)

The Student, Future Planner and Retired sub-categories are unchanged other than being reclassified as Affiliates.

These structural changes are shown graphically in Appendix 2.

3. Rationale for the proposed changes

The FPA has led the way in raising professional standards for the Australian financial planning profession since its formation in 1991. Achievements over this period include:

- The FPA was the first international licensee outside the U.S. to be licensed to provide CERTIFIED FINANCIAL PLANNER® certification; today some 5,700 financial planners in Australia are CFP® professionals, with many more on the path to certification.
- We have built and adopted the Code of Professional Practice, which is the world's first complete suite of professional regulation.
- We have worked consistently with government and the regulator to lead the agenda on the quality of advice.
- Other achievements include setting standards for remuneration, conflicts of interest, the client first principal (fiduciary standard), and ongoing CPD.

Despite these successes, it is the view of the FPA Board that the structural changes detailed below are necessary before the FPA can achieve the vision of helping the financial planning industry become a universally respected profession.

Change 1: To restrict the voting membership of the FPA to two categories of practitioner member.

By restricting the voting membership to practising financial planners - CFP professionals and Associate Financial Planners - the FPA is more clearly focused on professional financial planners.

The change emphasises financial planning as a profession and the FPA as an association of professionals, in line with other professional associations worldwide. Only practitioner members will be eligible to be elected to the Board of the FPA.

Change 2: To discontinue the Principal member category

By eliminating the Principal member category, the FPA can better focus on representing the interests of individual practitioners.

The FPA is unusual among professional associations in Australia and around the world in allowing corporate entities to be voting members. Surveys of FPA members have shown that many believe that having principal members creates a perception of a conflict of interest for the FPA.

Principal members may currently use the FPA Principal Member brand irrespective of the number of FPA members or CFP professionals they have among their financial planners. And yet, the risk of reputational damage to the FPA and to members when a FPA Principal member acts unprofessionally or contrary to the law is significant.

Change 3: To enable professional financial planning practices at a local level to license the use of the FPA brand, as FPA Professional Practices.

The new FPA brand for Professional Practices will become the seal of quality representing high standards in financial planning. The FPA will develop consumer awareness of the brand to encourage Australians to seek out practitioners who are members of the FPA and who work in an FPA Professional Practice, in the knowledge that the FPA brand represents higher standards of professionalism.

Financial planning practices, at the local office or location level, will be able to license the FPA Professional Practice brand if:

- 75% of their practitioners are already FPA practitioner members (CFP professionals and AFP members)
- 50% of their practitioners are already CFP professionals, or will be CFP professionals within 3 years
- They uphold the FPA Code of Professional Practice, and
- They agree to conduct a three-yearly review to confirm adherence to these licence criteria.

The types of practices which may apply to become FPA Professional Practices include:

- Current small Principals (under their own AFSL)
- Affiliated practices licensed by AFSLs
- Local branches of employed planners

The majority of small Principal members are likely to be immediately eligible to licence the FPA brand as FPA Professional Practices, since they already have very high CFP practitioner membership. Other Principals who can commit to achieving these levels of membership within the required three years will be allowed to licence the brand, and their progress will be monitored annually.

To assist practices to reach the required level of FPA membership, from 25 November 2010, the practitioners within pre registered FPA Professional Practices **may become AFP Members or Future Planner Affiliates free of charge for the remainder of the 2010/11 financial year.**

As brand licensees, FPA Professional Practices will have no voting rights or board representation, since voting rights will be reserved for the individual practitioner members only.

Change 4: To offer Principal members the opportunity to become FPA Professional Partners, in recognition of the important role that licensees play in the promotion of professional financial advice.

By law and commercial imperative, many AFSL licensees are a primary driving force for professionalism. AFSL licensees who have a minimum of 25% FPA practitioner membership will be invited to retain their connection with the FPA to assist them to work constructively towards the shared goal of increased professionalism in financial planning.

As FPA Professional Partners they will be required to:

- Pledge support for the professional practice of financial planning
- Encourage their financial planners to achieve professional identification, especially CFP certification
- Commit to uphold FPA professional standards.

FPA Professional Partners will be positioned with government, consumers and the media as leaders in the financial planning community who have demonstrated through CFP certification and FPA membership their commitment to professional ideals. They will continue their association with the FPA as Affiliates but without the right to use the FPA brand in their marketing, representation on the FPA Board, or voting rights.

Change 5: To replace the General member category with a more broadly based Affiliate category

General membership currently provides an opportunity for involvement in FPA matters for several key groups including Students, Future Planners and Retired professionals. In response to a widely expressed interest, two additional sub-categories will be introduced within the new Affiliate category:

- **Para-professional** - To recognise the important contribution of paraplanners, compliance and technical experts to the profession
- **Subscriber** - To draw into the association a diverse group of people with interest in the profession.

FPA Professional Partners will also form a sub-category of Affiliate membership. Like General members today, Affiliates will have no voting rights.

4. Changes in how we promote ourselves to the public

Repositioning the FPA brand

The FPA has determined to reposition the FPA brand to signify the higher professional standards of FPA practitioner members and to distinguish them from non-members.

The high professional standards of FPA professionals are demonstrated in a number of ways:

1. **CFP® Certification:** A high percentage of FPA practitioner members are CFP professionals or are on the way to achieving CERTIFIED FINANCIAL PLANNER® professional status.
2. **The Code of Professional Practice:** all practitioner members (CFP professionals and AFP members) must adhere to the Code of Professional Practice, which goes significantly beyond their legal obligations
3. **Higher educational standards.**
 - Associate Financial Planner (AFP) practitioner members have achieved the diploma in financial planning, and have at least one year of approved financial planning experience
 - From 2013 onwards, all new AFP members will have an undergraduate degree as a minimum membership entry requirement. CFP certification already has this requirement.
 - FPA practitioner members undertake extensive continuing professional development designed to extend and update their skills and technical knowledge

Proof of higher standards comes from ASIC data which shows that AFP members are 11 times less likely to be banned from practice than non-member practitioners, and CFP professionals are 36 times less likely. Also, no CFP professionals have been banned by ASIC during the last 18 months.

The FPA is committed to raising consumer awareness of the higher standards of FPA professionals, including via the new brand, and via public relations and advertising campaigns.

As a first step, the Board has approved a new FPA logo that will become the mark of trust and seal of quality for professional financial planning practices, through licensing of the brand by FPA Professional Practices.

The new logo and examples of its application can be seen in Appendix 3.

Please note that neither the brand nor the logo changes require a member vote, but members' views are welcome.

The new FPA Professional Practice logo will be licensed to members for use at the **practice** level to signify higher professional standards. It will be backed up by the use of the CFP Marks which signify high achievement by an **individual practitioner**. It is important to note that the Financial Planning Standards Board, which licenses the use of the CFP Marks, does not allow use of the CFP Marks at the practice level, only to an individual CFP professional.

The CFP mark brand remains the global symbol of excellence in financial planning and the highest designation attained through the FPA. As a result of sustained FPA advertising and public relations, consumers will increasingly understand the importance of CFP certification as a rigorous post graduate professional qualification, and as one of the proof points behind the higher standards associated with the FPA brand.

Advertising campaign

In mid 2011, the FPA plans to launch a 5 year consumer advertising campaign to promote the higher standards of FPA professionals, especially CFP professionals. The campaign's aim is to differentiate FPA professionals and increase consumers trust in them.

We estimate that an advertising media budget of between \$2M and \$3M per annum for about five years will be required to effectively grow consumer awareness of the value of obtaining financial advice from an FPA professional, and preferably one who has achieved CFP certification.

Advertising campaign strategy

The new FPA campaigns are about you. They will differentiate FPA members from other financial planners who do not share the same values and standards. In some ads, the differentiating factor is the Code of Professional Practice. In others it is CFP certification.

The thinking behind the campaign is based on the insight that Australians are overwhelmed by choice in the financial marketplace. They are seeking a trusted source of advice, but they don't know where to look. They believe that many financial planners have low ethical standards.

FPA professionals have reached a higher standard and we have evidence of this. So our new advertising campaign will establish that all financial planners are NOT the same. There are crucial differences. We have higher standards, CFP certification, an enforceable Code of Professional Practice, the Client First principle. We are at the leading edge of our profession, a cut above.

The "FPA brand" will become a seal of quality when it comes to choosing a professional financial planner. A consumer will know what they're getting when they visit an FPA professional, whereas they won't be so confident when they visit any other financial planner.

From late November, the strategy behind the campaign will be summarised in a video on the FPA website, which was created for your benefit, to explain the thinking behind the campaign, i.e. it is not an advertisement that consumers will see.

Some early examples of actual press ads for consumers are attached in Appendix 5. These ads will evolve over the next few months as we prepare for launch in mid July.

Members are invited to provide any feedback on the ads via this consultation paper.

Funding the advertising campaign

The FPA Board is very mindful of the costs to small businesses and their commitment to FPA membership and professionalism. At the same time, we understand the urgent desire of members to start repairing the damage to their community standing. Our recent focus group research with a broad group of members showed a strong resolve to adopt a mandatory advertising levy on all members and subscribers.

It is proposed that from 2011-12, each AFP and CFP professional member pay an advertising levy of \$220 pa. FPA Subscribers and Paraprofessionals would pay a levy of \$100. The FPA will contribute up to \$500,000 per annum from reserves. The Board will review the levy each year based on expected revenue for the campaign, with a view to decreasing the levy over time as membership increases and licensing revenue from FPA Professional Practices grows. Professional Partners will be requested to make voluntary contributions to this campaign, but the campaign will be primarily funded by members for members.

The FPA will provide regular opportunities for member input and communication on their campaign, and regular updates on trends in consumer brand awareness.

5. Constitutional changes and voting

The proposed changes described in this consultation paper were presented to members at the FPA 2010 National Conference, on 24-26 November, and are now presented via this paper to the wider membership.

The proposals reflect the FPA Board's preferred model for structural change, one that it believes is in the best interests of professional financial planners and the continued development of the profession as a whole.

Members have the opportunity for comment and discussion on the constitutional changes that are proposed over the period November to March, prior to a vote at an EGM in April 2011.

a. Constitutional changes

Amendments to Object 1.1 (a) of the FPA Constitution and other sections as appropriate are required to reflect:

- A focus on individual practitioner membership
- The removal of the Principal membership category
- The creation of FPA Professional Practices, who may license the use of the FPA brand if they fulfil specified criteria, but who will have no voting rights or Board representation
- The removal of the General membership category in favour of a range of Affiliates that have no membership obligations but wish to be connected to the FPA through communications activities.

b. Voting

The constitutional changes required to implement the strategy must be voted on by members in two separate ballots:

1. **Principal members** – on the removal of voting rights of the Principal member category
2. **All members** – on all other changes outlined above.

An electronic vote has been agreed as the most appropriate way of eliciting the most sizeable vote. The vote will be carried out between **1 and 7 April 2011 inclusive**.

To carry each motion, 75% of those who vote must be in favour.

The results of the voting will be announced in April 2011 and, if adopted, the changes will be introduced from 1 July, for the 2011-2012 membership year.

c. What members should do

The FPA encourages members to:

- i. Provide feedback to the FPA on the changes proposed**
Different ways to contact the FPA on these changes are described in Section 1 of this consultation paper.
- ii. Advocate your view of the changes to other members and encourage them to vote.**
Further information on the proposed changes and a pdf file of this paper is available on the FPA website.
- iii. Attend the FPA National Roadshow in your local chapter in March 2011 to hear more about the proposals and to express your views**
- iv. Vote between April 1 to April 7, 2011 inclusive**
All members will be sent an email containing a link to enable them to vote. A tile on the FPA website homepage will link to the vote - www.fpa.asn.au

Appendix 1

FPA purpose

To help the financial planning industry become a universally respected profession.

FPA vision

Members of the Financial Planning Association adhere to the highest standards of professionalism, inspiring trust and confidence in the community.

FPA mission

The Financial Planning Association acts in the public interest by setting, promoting and enforcing the highest standards of professional conduct among its members.

FPA values

- Professionalism – standards, processes, governance
- Accountability – commitment, responsibility, delivery
- Integrity – ethics, transparency, respect

FPA value proposition

The Financial Planning Association provides vision, leadership and resources to raise the professional standards and community standing of its members.

Appendix 2: Current and proposed FPA structure

CURRENT	FUTURE																						
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Appendix 3: New FPA logo and its application



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA



FINANCIAL PLANNING
ASSOCIATION *of* AUSTRALIA
PROFESSIONAL PRACTICE

**NEW
PURPOSE
NEW VISION
NEW RESOLVE**



**OUR COMMITMENT IS TO
FOCUS ON THE
FUTURE:
ON THE THINGS THAT
will elevate OUR INDUSTRY
TO A UNIVERSALLY
RESPECTED PROFESSION**



FINANCIAL PLANNING
ASSOCIATION of AUSTRALIA

Financial planning is a young profession, still in its infancy. We may feel a tad envious of the respect that some other professions command, but they've been at it for a lot longer - the medical profession first pledged the Hippocratic Oath 2,500 years ago.

— We hope to achieve our vision in a shorter time frame. Five years from now, this is the picture we see:

**MEMBERS OF THE
FINANCIAL PLANNING ASSOCIATION
ADHERE TO THE HIGHEST STANDARDS
OF PROFESSIONALISM,
INSPIRING TRUST
& CONFIDENCE
IN THE COMMUNITY**

Our vision is not fanciful, it's perfectly achievable if we work together. It will take unwavering focus and determination, on your part as well as ours, but we believe that we are up for the challenge.



Appendix 4. Financial implications of membership changes

a. Cost of membership

The following table provides a comparison of existing and proposed membership categories and the cost of annual membership. In summary, there will be no renewal fee increases next financial year other than CPI.

Category	Renewal fees 2010-11*	Proposed renewal fees 2011-12*	Notes
Voting members / practitioners			
AFP	\$489	\$489 + cpi	cpi increase only
CFP	\$686	\$686 + cpi	cpi increase only
Affiliates (non voting):			
Professional Practice (brand licensee)	-	\$800 plus \$100 per practitioner	New category
Professional Partner	-	\$10000 \$5000	New category
• Over 100 practitioners • Under 100 practitioners			
Student	\$23	\$23	No change in fees
Future Planner	\$155	\$155	No change in fees
Retired	\$90	\$90	No change in fees
Para-professional	-	\$170	New category
Subscriber	-	\$489+ cpi	New category based on current General fees of \$489

* Renewal fees are those charged for on-time renewal. All fees quoted exclude GST and also exclude the proposed advertising levy.

b. Financial impact of the proposed changes on members

The financial impact of the proposed membership changes vary according to circumstances. Three scenarios are shown below based on the assumption that the new Professional Practice option is taken up.

Scenario	2010-11 membership fee	Proposed 2011-12 FPA Professional Practice fee + practitioner member fees	Change
Small Principal with 2 CFP	Total payment \$1871 \$1185 small Principal fee	Total payment \$2372 \$1,000 licence fee (\$800 plus \$100 per practitioner)	\$501 increase Plus cpi increase in CFP fees

professionals	Free membership for 1 CFP \$686 additional CFP fee	\$686 x 2 CFP fees	
Small Principal with 5 financial planners: 3 CFP professionals and 2 AFPs	Total payment \$3535 \$1185 small Principal fee Free membership for 1 CFP \$686 x 2 CFP fee \$489 x 2 AFP fee	Total payment \$4336 \$1,300 licence fee (\$800 plus \$100 per practitioner) \$686 x 3 CFP fee \$489 x 2 AFP fee	\$801 increase Plus cpi increase in CFP and AFP fees
Financial Planning practice (non AFSL) with 4 financial planners: 2 CFP professionals and 2 AFPs	Total payment \$2350 \$686 x 2 CFP fee \$489 x 2 AFP fee	Total payment \$3550 \$1200 licence fee (\$800 plus \$100 per practitioner) \$686 x 2 CFP fee \$489 x 2 AFP fee	\$1200 increase Plus cpi increase in CFP and AFP fees

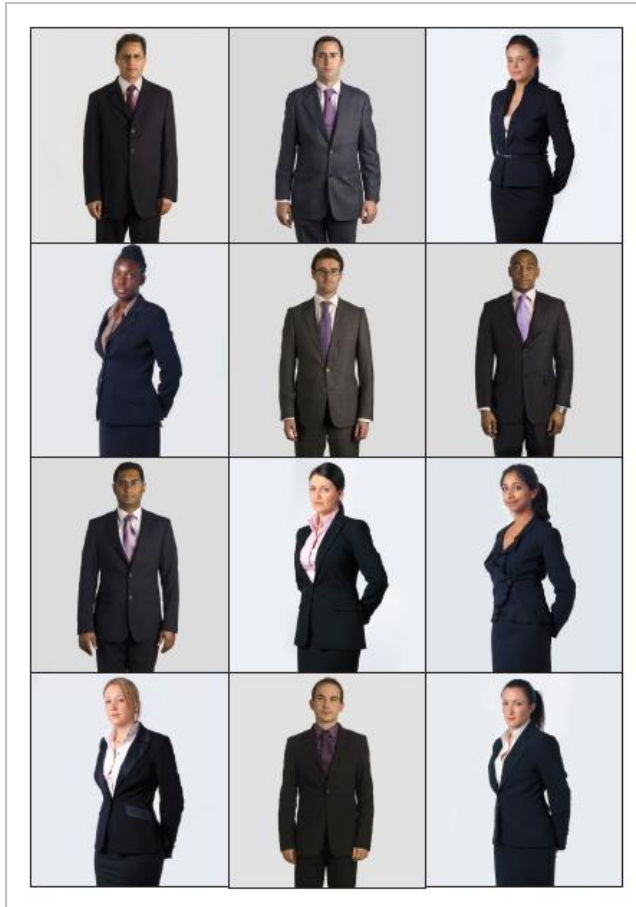
c. Financial impact of the proposed changes on the FPA

During research some members expressed concerns about the financial viability of the FPA under the proposed membership changes, due to the likely loss of principal member income. However, Principal members account for only about 13% (approx. \$1 million) of the total membership revenue.

FPA modelling suggests that within 2 years, the shortfall in income from removing Principal membership will be offset by additional revenues arising from:

- An increase in CFP professional and AFP members from the current levels (5700 and 2250 respectively) as efforts are made to qualify as FPA Professional Practices and gain access to the new brand
- The licensing of FPA Professional Practices which are anticipated to grow in numbers and reach well above the current 450 Principal members
- The opportunity for Principal members/AFSLs to become FPA Professional Partners

Appendix 5: Examples of press ads



fpa.asn.au

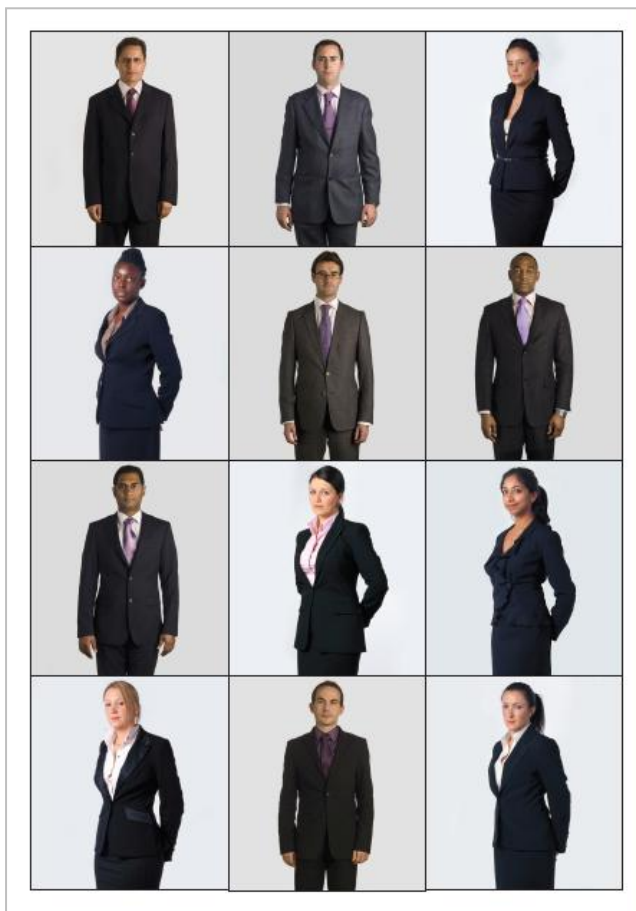
CAN YOU TELL *which* FINANCIAL PLANNER HAS TO PLACE THEIR CLIENT FIRST?

Most financial planners look the same. But only the one who is part of the FPA is bound by an enforceable Code of Professional Practice. The others are not. (By the way the FPA professional is bottom row, left.)

FPA. BEST PRACTICE



FINANCIAL PLANNING
ASSOCIATION OF AUSTRALIA




fpa.asn.au

CAN YOU TELL *which* FINANCIAL PLANNER WILL NOT ACCEPT INCENTIVES FOR SELLING PRODUCTS?

Most financial planners look the same. But only the one who is part of the FPA is bound by an enforceable Code of Professional Practice. The others are not. (By the way the FPA professional is bottom row, left.)

FPA. BEST PRACTICE



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